Military Market

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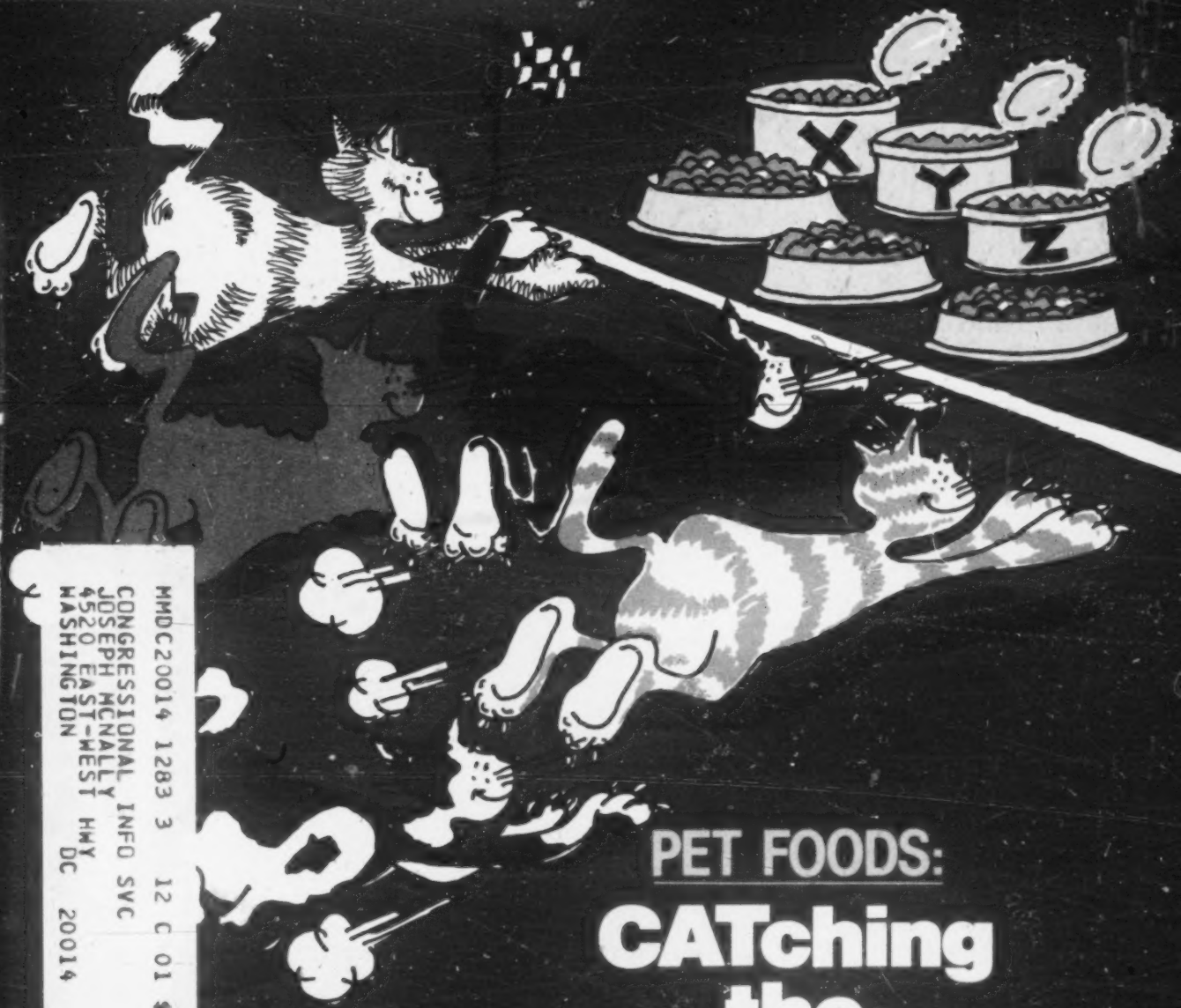

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PET FOODS:

CATching the Competition

Military Market

MAGAZINE FOR THE MILITARY RETAIL SYSTEM | DECEMBER 1982

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CATching the Competition

The cat craze has made cat food manufacturers smile. Although dogs still outnumber cats by a wide margin, the household cat population is increasing at a much faster rate than dog ownership.

By GUY LAMOLINARA
Associate Editor

PET FOODS aren't going to the dogs, they're going to the cats.

Increases in the percentages of U.S. households owning cats in 1981 are purrfectly amazing — up 27 percent since 1972. Figures for their canine counterparts increased a mere 7.9 percent for the same period, according to the Pet Food Institute.

Cat food manufacturers are grinning like Cheshires at the trend's results. "Cat foods are growing faster than dog foods, furthering a trend of an urban society," Elmer Richars, a spokesman for **Ralston Purina**, the No. 1 cat and dog food producer, tells MILITARY MARKET. "Even those in an apartment can keep a cat."

People are also keeping more pets of all types. A spokeswoman for the Pet Information Bureau, citing a 1980 survey by the research firm of Frost & Sullivan, says, "A major factor in the increase in pets has been the energy crisis. It is keeping people closer to home, which encourages pets for hobbies and entertainment. Older people are buying pets for companionship and protection. People are also keeping more exotic pets. Tarantulas are 'hot.'"

Two major trends are directly affecting cat ownership. The spokeswoman says the increase in the number of working wives, who do not have the time required to care for a dog and the trend toward smaller accommodations both make it easier to own a smaller pet, such as a cat.

But felines still have a long leap to go before they reach prefurred status: 41 percent of U.S. households own dogs, while only 26.5 percent keep cats. In the civilian marketplace, 1981 cat food sales jumped 14 percent; commissaries did not do nearly so well, registering only an eight percent increase.

Why the big difference?

Military sales managers are quick to complain about the job the commissaries are doing in pet foods. "Commissaries are always traditionally slower to pick up new items," grouses the MSM for a major pet foods manufacturer. "You can tell a civilian store you're introducing a new product, going to spend $15 million to $20 million on advertising and they react. Commissaries aren't product-oriented. Sometimes I wonder if they're consumer-oriented," he complained to MILITARY MARKET.

Says Larry Hable, national account sales manager for **A.H. Robins**, makers of the Sergeant's line

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of pet care products: "To date, the commissaries haven't given the pet supply business what they ought to. In civilian stores, you'll see anywhere from four feet to 28 feet [devoted to pet care products]. It's rare to see anything beyond pet foods in commissaries."

Another MSM for a major dog food maker is not so general in his condemnation. "Air Force knows what they're doing. They're a delight to work with. The resistance to stocking new products in Navy commissaries has been a disaster. It's the way they operate. They've gone to their own warehouses. They have the space in the stores to carry the products, but not in the warehouses, which are too small. They can't meet the needs of consumers. This isn't true for all Navy complexes, but Norfolk and San Diego have been a total disaster.

"With Army and Air Force, we ship direct to the commissaries. In one Navy complex, we introduced a one-shot product with a coupon promotion, and they [complex management] were concerned they might have to add it into the system," he tells MILITARY MARKET.

Dry Trend

"We began in the dry business and have stayed prominent in it. Purina dog and cat chows are the largest selling dry pet foods and the largest selling of all pet foods," Richars says. "Dry is showing the most increases. It's convenient to use, but principally the increase is due to economics. This trend has been building for the last several years and shows no signs of dropping."

HARTZ MOUNTAIN'S reflecting collar is one of the company's brightest success stories. The manufacturer says the collar reflects oncoming headlights up to 450 feet.

The MSM for the major dog food manufacturer concurs: "Dry is cheaper to serve, it's easier to buy in larger quantities, and it's easier to store."

R.E. Henderson, coordinator of military sales for **Quaker Oats,** manufacturer of Ken-L Ration and Puss 'n Boots, says, "Dry is the largest dog food segment. Mostly because of lower price, but it may also be because of a dog's dietary needs. Some all-meat dog foods are too rich for some dogs," he tells MILITARY MARKET. Ken-L Ration's varieties cover the gamut: It is available dry, semimoist, canned and as Kibbles 'n Bits, a dry and semimoist food, the company's newest pet food.

Giant Ralston Purina obviously thinks, and its success is showing it to be correct, that the market for dry cat foods is yet to be conquered. Thrive dry cat food is "very popular," Richars says.

Statistics show that a cat owner is not as price-conscious when it comes to pampering his pet's palate. Canned cat food domestic sales outstrip dry by almost three to one, according to the Army Times Research Department. One industry expert thinks this is because cats' putative finickiness has rubbed off on their owners.

Just as humans, in bad economic times, are prone to splurges, pet owners are wont to splurge once in a while. Ralston's Richars says the market for treats is "definitely increasing," and his company introduced Bonz to meet the demand.

A.H. Robins, whose pet business is virtually tied up entirely in accessories, is doing a booming business in dog and cat remedies, Hable says. "We have about 263 SKUs in such products as sprays, powders, shampoos and dips and small-pet foods. There's a tremendous consumer interest in remedies. Flea and tick collars are especially popular. As a result of the EPA's bans on various insecticides, there is an increase in the flea population. The problem is more acute.

DORIS LEWE, retail branch manager at Fort Sam Houston, Texas, has been involved with a test Pet Room Center project since February 1982. "So far, it's gone over really well," she tells MILITARY MARKET.

The pet products department stocks a complete line, including aquariums from five to 100 gallons, cat and dog houses, dog shirts and coats, heavy-duty travel homes and cat trees.

"All the things for cats are doing really well. I can't believe how many people really have cats. I used to think there are more dogs, but it looks like it's the other way around. It's easier to have a cat when you're moving. And this is especially important to people in the military when they're moving. The heavy-duty travelers sell super well," Lewe says.

Fortunately for Lewe, she had no problems finding space for the department. "We have a very large store here. It's like an old hangar."

The department also offers bird and other small-pet accessories. "I was reluctant to stock expensive bird cages, but the more expensive the cages were, the better they sold. It's nothing to sell a $55 bird cage."

Toys are also an important part of department sales. "Some people will bring in their pets and let them pick out a toy."

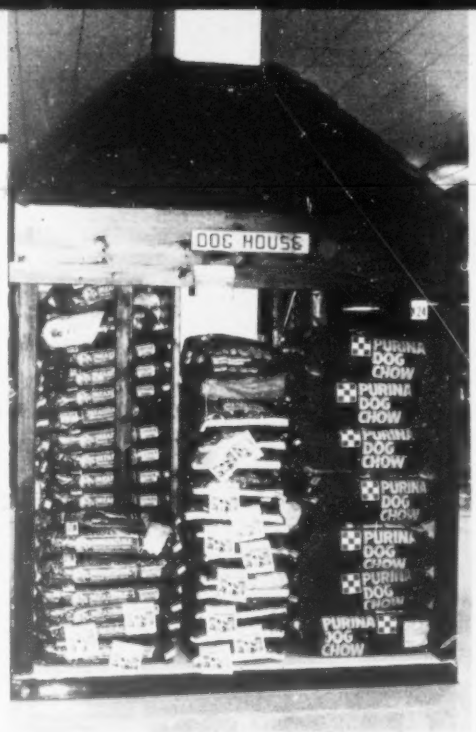
The department at one time sold pet food, but no more. "We couldn't compete with the commissary's price. It just didn't sell well."

Although there are no definite plans to install similar departments in other AAFES exchanges, the department may yet make an appearance at other locations. Lewe says she has just turned in a report on the department, which may result in a new litter of pet departments. — G.L.

"People are not just using flea collars. They're buying multiple items. They'll wash the animal in flea shampoo, dust it with powder and use a collar. Indoor foggers [to kill fleas] are a big item."

A spokesman for **Hartz Mountain** says the company has enjoyed a big success with the reflecting flea and tick collar. He adds, however, that "business is tough. There's no real growth."

At this time of year, when Santa comes to visit the children, pet toy manufacturers also make sure he leaves something behind for Morris or Rover. "The consumer approaches his pet almost like a child. Around Christmastime, pet toy sales really pick up. People will put pet toys under the tree, and we sell a stocking for dogs and cats," Hable says.



THE DOG HOUSE AT Fort Belvoir, Va., stocks 50-pound bags and solves the problem of stocking mass quantities of large sizes.

Price/Promotion Sensitive

It seems consumers are split when it comes to brand loyalty to pet foods. Quaker's Henderson says the market is very susceptible to VPRs and couponing. "Customers will react to price; however, we also have the opposite happening. When someone is transferred overseas, we'll get letters asking, 'Where can I buy Ken-L Ration?' "

"Pet foods are very susceptible to promotion. Like anything else, there is a certain percentage who are brand loyal and those who are not," an industry expert tells MILITARY MARKET.

Generic and private label manufacturers are encouraged by their sales. According to SAMI, generic and private label dry dog food together have a 5.2 percent share of the market dollar. John Pierce, associate editor of *Private Label* magazine tells MILITARY MARKET: "Pet foods are one of the most common categories of generics and private labels. It is especially strong in dry dog food. In some stores, generic dry dog food outsells all other brands."

Generic cat food sales are not as strong. "People do not insist on gourmet food for their dogs, but they are fussier when it comes to cats. There's much less sold in generic cat food than dog food," Pierce says.

One of the most common complaints among store managers is the proliferation of pet foods, the number of which seems to increase almost daily. There are indications, however, that promotions may begin to shift back to the established brands, which are still the category's leaders.

The MSM for a major dog food manufacturer says, "With the lack of success in introducing new products — when I say success, I mean in terms of gaining market shares — you may see a decrease in terms of product introductions. There's been an awful lot of me-too brands that aren't much different from products already there."

Ralston Purina has two approaches when it comes to new pet foods. "Sometimes you'll feel so strongly about a new product that you'll just put it on the market [without test marketing it]. Sometimes just the opposite," Richars says.

Overall, pet food and accessories manufacturers are optimistic about the future of the industry: "People are always willing to skimp on themselves before they'll skimp on their pets," the industry expert says.

MM

COMMISSARY PET FOOD SALES

	WORLDWIDE	DOMESTIC	OVERSEAS
Dog food, canned	$26,978,000	$21,583,000	$5,395,000
Dog food, dry	27,552,000	21,583,000	5,395,000
Dog food, semimoist	12,169,000	9,630,000	2,539,000
Cat food, canned	27,208,000	22,139,000	5,069,000
Cat food, dry	9,988,000	7,964,000	2,024,000
Cat food, semimoist	3,214,000	2,871,000	343,000
Cat/dog candy & specialties	5,396,000	4,260,000	1,136,000
Bird food	1,722,000	1,389,000	333,000
All other	573,000	440,000	133,000
Total	**$114,800,000**	**$92,600,000**	**$22,200,000**

SOURCE: Army Times Research Department. Data for CY 1981.

Household Supplies

Commissary customers go for a fresh start amid a tide of new and reformulated detergents.

By DAVID B. COOLEY
Associate Editor

THE MILITARY SALES manager of a large soap and detergent manufacturer tells MILITARY MARKET that commissary shoppers tend to have more brand loyalties than their civilian counterparts. But he adds that in today's competitive market those loyalties are being challenged, and so market shares remain more or less static in the commissaries.

Detergents and soap are the fourth-largest selling category in the typical food store, according to *Progressive Grocer*, and the total market for household products is gigantic — more than $6 billion in 1981 — as reported in *Chain Store Age/Supermarkets*. Today, every manufacturer is trying to carve a larger share from a market whose real growth is only two percent to three percent annually.

Detergents — New and Improved

To gain position in the commissaries as well as in the civilian market, the manufacturers of household products continue to introduce products and improve older ones.

Purex International is introducing Purex Heavy Duty Laundry Detergent Plus. The "plus" is a fabric softener intended to make the job of doing laundry a little more convenient. "This new product is available in an 84-ounce size at about the same price as the competition's 64-ounce size," reports Purex's military sales manager, Clarence Carr. He says Purex is testing the product on the West Coast with the expectation of going national with it in the near future.

Carr informs MILITARY MARKET: "Purex is actively seeking business with the commissaries and has been running a fall and spring sale for the last four years. Each of these sales is a trade-off — reduced prices for Purex products in exchange for a floor display in the store. We are also having two or three 'truckload sales' per year in which reduced prices are offered for quantity buying." Carr says, "We go to the military customers and ask them what they need. The key to the Purex marketing plan for the military is flexibility."

Procter & Gamble, the hands-down leader in the household products industry, is constantly testing new products, such as heavy-duty detergents and detergents with additives. *Soap/Cosmetics/Chemical Specialties* magazine reports that the No.1 selling detergent, Tide, underwent yet another reformulation earlier this year.

Pat Manzione, military sales manager at **Colgate-Palmolive Co.** tells MILITARY MARKET: "Our heavy duty detergent, Fresh Start, is doing well in the marketplace. It combines heavy-duty cleaners and a pleasant fragrance with a unique package that enables the customer to see, carry, use and store the product easily, and it has a cap that can be used for measuring. With the see-through bottle, the customer can easily determine when to buy more," he said. Fresh Start is now the best-selling heavy-duty detergent, reports *Chain Store Age/Supermarkets*.

Advertising Leads the Way

For many years, P&G, Colgate-Palmolive, **Unilever U.S. (Lever Bros.)** and others in the household products industry have subjected the American public to an advertising blitz. P&G is the leader in advertising spending (not just in household products, but among *all* advertisers in the United States). As reported in *Advertising Age*, P&G put $671.8 million into its promotion campaigns in 1981. Colgate pumped $260 million into its campaigns, and Unilever U.S. spent $188.9 million to promote its products.

Part of this effort is TV advertising, part is print media and part is in free samples, cents-off coupons, price-off-on-package and other incentives. One marketer's MSM tells MILITARY MARKET that all these methods of promotion will continue, especially the couponing. His company feels the use of coupons as a discount method provides it with repetitive exposure to the shopper.

MILITARY MARKET learned from several market leaders that today's customers are demanding more convenience and value than ever. That means they want products with extra cleaning power — especially detergents with added softeners and whiteners.

MM

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"SKILCRAFT: SALES EQUAL EMPLOYMENT"

BROOMS, MOPS, SPONGES and scrubbers bearing the **Skilcraft** label are made by blind people. These products are manufactured under the auspices of the National Industries for the Blind, which assists its member manufacturers in finding and hiring capable blind workers. It has done this for 28 years.

NIB's marketing analyst, Mike Ahrendt, tells MILITARY MARKET that "Helping visually handicapped individuals to be gainfully employed is the purpose of the NIB. Our industries make quality merchandise at competitive prices, which provides this employment."

Dan Boucher, vice president for commissary sales at NIB, tells MILITARY MARKET there are 33 locations nationwide where Skilcraft products are manufactured. For merchandise to qualify as blind-made, the manufacturing facility must have at least 75 percent blind labor.

To be included in the Skilcraft line, a product must be approved by a 15-person, presidentially appointed committee, and then must undergo extensive quality control testing. The committee has three basic criteria for selecting a product for inclusion in the line: The new item must be marketable, profitable and adaptable to production by blind labor, according to Boucher. He says, "The NIB is a nonprofit organization, but its manufacturing companies need profits for reinvestment and expansion."

The Wagner-O'Day Act of 1954 requires resale agencies of the Federal Government to purchase products made by handicapped people when such products are comparable to those available from other sources. The commissaries are not obliged to carry solely the Skilcraft brand, but TSA, AFCOMS, NAVRESSO and the Marine Corps and Coast Guard commissaries are each required to carry a substantial Skilcraft inventory.

MILITARY MARKET learned that the NIB has designed home care center display racks that provide 12 to 16 feet of display space in the commissaries for Skilcraft products. The Home Care Centers allow for more merchandise to be displayed with greater sales appeal than was possible in the past. As a result, in part, of better displays, sales have increased from $5 million in 1978 to $12 million in 1981.

Some of the products available to commissary shoppers are also in civilian supermarkets, but usually with different brand names. The NIB is considering the possibility of advertising in various military publications, thus improving the recognizability of the Skilcraft name to the commissary shopper.

Usually available at the in-store display are brochures that tell the NIB and Skilcraft story. The story's bottom line is emphasized by Ahrendt when he says, "Buying Skilcraft means jobs."

— **D.B.C.**

COMMISSARY SOAP AND DETERGENT SALES

	WORLDWIDE	DOMESTIC	OVERSEAS
Toilet soaps, bar			
Face size	$8,309,000	$6,648,000	$1,661,000
Bath size	16,348,000	13,078,000	3,270,000
Total	**$24,657,000**	**$19,726,000**	**$4,931,000**
Detergents, heavy duty			
Tablets	$993,000	$738,000	$255,000
Powder, controlled suds	18,245,000	14,596,000	3,649,000
Powder, high suds	37,199,000	29,760,000	7,439,000
Liquid	14,554,000	11,699,000	2,855,000
Total	**$70,991,000**	**$56,793,000**	**$14,198,000**
Detergents, light duty	$23,573,000	$18,859,000	$4,714,000
Soap powders, flakes, washing suds	$2,032,000	$1,626,000	$406,000
Laundry soap, bar	$542,000	$434,000	$108,000
Hand cleansers	$405,000	$324,000	$81,000
Automatic dishwasher items			
Detergents	$10,962,000	$8,770,000	$2,192,000
Rinses	1,218,000	974,000	244,000
Total	**$12,180,000**	**$9,744,000**	**$2,436,000**
Other special purpose soaps & detergents	$1,099,000	$877,000	$222,000
GRAND TOTAL	**$135,479,000**	**$108,383,000**	**$27,096,000**

SOURCE: Army Times Research Department. Data for CY 1981.

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COMMISSARIES

		AUGUST			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AIR FORCE	CONUS	$134,585	$127,383	+5.65	$1,096,975	$1,028,321	+6.68
	OVERSEAS	26,801	26,007	+3.05	219,494	209,235	+4.90
	TOTAL	161,386	153,390	+5.21	1,316,469	1,237,556	+6.38
ARMY	CONUS	96,928	94,536	+2.53	795,392	759,928	+4.67
	OVERSEAS	28,808	27,352	+5.32	238,992	225,264	+6.09
	TOTAL	125,736	121,888	+3.16	1,034,384	985,192	+4.99
NAVY	CONUS	49,450	48,372	+2.23	407,559	385,753	+5.65
	OVERSEAS	5,761	5,846	-1.45	47,818	46,656	+2.49
	TOTAL	55,211	54,218	+1.83	455,377	432,409	+5.31
MARINES	CONUS	9,227	9,587	-3.76	85,840	82,276	+4.33
	OVERSEAS	120	161	-25.47	1,361	1,314	+3.58
	TOTAL	9,347	9,748	-4.11	87,201	83,590	4.32
COAST GUARD	CONUS	301	426	—*	2,308	3,906	—*
	OVERSEAS	190	284	-33.10	1,433	1,607	-10.83
	TOTAL	491	710	—*	3,741	5,513	—*
ALL COMMISSARIES	CONUS	290,491	280,304	+3.63	2,388,074	2,260,184	+5.66
	OVERSEAS	61,680	59,650	+3.40	509,098	484,076	+5.17
	TOTAL	$352,171	$339,954	+3.59	$2,897,172	$2,744,260	+5.57
GROCERY STORES	U.S.	$19.099 bil.	$18.651	+2.40	$151.601 bil.	$143.715 bil.	+5.49

EXCHANGES

AAFES	CONUS	$231,161	$207,863	+11.21	$1,730,066	$1,576,179	+9.76
	OVERSEAS	148,540	131,716	+12.77	1,168,595	1,079,001	+8.30
	TOTAL	379,701	339,579	+11.82	2,898,661	2,655,180	+9.17
NAVY	CONUS	91,595	92,119	-0.57	661,315	659,138	+0.33
	OVERSEAS	34,698	32,445	+6.94	269,602	243,512	+10.71
	TOTAL	126,293	124,564	+1.39	930,917	902,650	+3.13
MARINES	CONUS	29,123	27,048	+7.67	219,455	201,424	+8.95
	OVERSEAS	4,738	3,986	+18.87	36,903	30,863	+19.57
	TOTAL	33,861	31,034	+9.11	256,358	232,287	+10.36
COAST GUARD	CONUS	6,157	6,361	-3.21	47,157	47,023	+0.28
	OVERSEAS	686	709	-3.24	5,257	5,245	+0.23
	TOTAL	6,843	7,070	-3.21	52,414	52,268	+0.28
MAIL ORDER	CONUS	1,033	583	+77.19	8,214	5,820	+41.13
	OVERSEAS	3,929	2,663	+47.54	31,015	23,934	+29.59
	TOTAL	4,962	3,246	+52.87	39,229	29,754	+31.84
ALL EXCHANGES	CONUS	359,069	333,974	+7.51	2,666,207	2,489,584	+7.09
	OVERSEAS	192,591	171,519	+12.29	1,511,372	1,382,555	+9.32
	TOTAL	$551,660	$505,493	+9.13	$4,177,579	$3,872,139	+7.89
DEPARTMENT STORES	U.S.	$8.69	$8.492	+2.33	$62.959	$60.141	+4.69

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

*Not comparable because of Sept. 1, 1981, conversion of commissary at Petaluma to NAF status.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

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Military Market

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SYSTEM REPORTS

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Military Market INDEX

COMMISSARIES

		SEPTEMBER			YEAR-TO-DATE		
		CY'82	CY'81	%CHANGE	CY'82	CY'81	%CHANGE
AIR FORCE	CONUS	$139,928	$131,690	+6.26	$1,236,903	$1,160,011	+6.63
	OVERSEAS	28,250	26,934	+4.89	247,743	236,168	+4.90
	TOTAL	168,178	158,624	+6.02	1,484,646	1,396,179	+6.34
ARMY	CONUS	99,736	92,400	+7.94	895,128	852,328	+5.02
	OVERSEAS	30,264	27,200	+11.26	269,256	252,464	+6.65
	TOTAL	130,000	119,600	+8.70	1,164,384	1,104,792	+5.39
NAVY	CONUS	51,334	49,064	+4.63	458,894	434,817	+5.54
	OVERSEAS	6,006	5,725	+4.91	53,824	52,382	+2.75
	TOTAL	57,340	54,789	+4.66	512,718	487,199	+5.24
MARINES	CONUS	11,800	10,918	+8.08	97,640	93,194	+4.77
	OVERSEAS	235	159	+47.80	1,597	1,473	+8.42
	TOTAL	12,035	11,077	+8.65	99,237	94,667	+4.83
*COAST GUARD	CONUS	220	219	+0.46	2,528	4,124	—*
	OVERSEAS	216	358	-39.66	1,649	1,965	-16.08
	TOTAL	436	577	-24.44	4,177	6,089	—*
ALL COMMISSARIES	CONUS	303,018	284,291	+6.59	2,691,093	2,544,474	+5.76
	OVERSEAS	64,971	60,376	+7.61	574,069	544,452	+5.44
	TOTAL	$367,989	$344,667	+6.77	$3,265,162	$3,088,926	+5.71
GROCERY STORES	U.S.	$19.133 bil.	$18.177 bil.	+5.26	$170.655 bil.	$161.832 bil.	+5.45

EXCHANGES

AAFES	CONUS	$221,590	$195,353	+13.43	$1,951,656	$1,771,532	+10.17
	OVERSEAS	145,998	128,640	+13.49	1,314,593	1,207,641	+8.86
	TOTAL	367,588	323,993	+13.46	3,266,249	2,979,173	+9.64
NAVY	CONUS	85,257	84,197	+1.26	746,572	743,335	+0.44
	OVERSEAS	35,097	31,185	+12.54	304,699	274,697	+10.92
	TOTAL	120,354	115,382	+4.31	1,051,271	1,018,032	+3.27
MARINES	CONUS	27,302	25,706	+6.21	246,757	227,130	+8.64
	OVERSEAS	4,541	3,906	+16.26	41,444	34,768	+19.20
	TOTAL	31,843	29,612	+7.53	288,201	261,898	+10.04
COAST GUARD	CONUS	5,838	6,048	-3.47	52,995	53,071	-0.14
	OVERSEAS	651	674	-3.41	5,908	5,919	-0.19
	TOTAL	6,489	6,722	-3.47	58,903	58,990	-0.15
MAIL ORDER	CONUS	983	731	+34.47	9,197	6,551	+40.39
	OVERSEAS	2,652	2,875	-7.76	33,668	26,810	+25.58
	TOTAL	3,635	3,606	+0.80	42,865	33,361	+28.49
ALL EXCHANGES	CONUS	340,970	312,035	+9.27	3,007,177	2,801,619	+7.34
	OVERSEAS	188,939	167,280	+12.95	1,700,312	1,549,835	+9.71
	TOTAL	$529,909	$479,315	+10.56	$4,707,489	$4,351,454	+8.18
DEPARTMENT STORES	U.S.	$8.377 bil.	$8.136 bil.	+2.96	$71.352 bil.	$68.277 bil.	+4.50

1) SOURCE: U.S. Department of Commerce. 2) Does not include sales of ships stores. 3) MM estimate, based on official data. 4) Includes consolidated sales for all services, including Coast Guard.

*Not comparable because of Sept. 1, 1981, conversion of commissary at Petaluma to NAF status.

Individual figures may not add to totals because of rounding. All sales are expressed in millions (add 000), except for grocery stores and department stores, which are in billions. Commissary sales include appropriate surcharges, and exchange sales include concession volume.

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